Current Issues Affecting U.S. Agricultural Trade

Ian Sheldon

Ohio State University

Farm Science Review
September 22, 2020
Global Trade and the Pandemic

- Second quarter of 2020 – year-on-year volume of global merchandise trade fell by 18.5% (WTO)

- Could have been much worse – WTO’s April forecast was a 13-32% decline in 2020

- Still considerable uncertainty about trajectory of trade for rest of 2020 into 2021

- Macroeconomic and trade policy decisions critical to mitigating impact of pandemic on both global output and trade
World Merchandise Trade Volume

Index: 2015 = 100

Source: WTO/UNCTAD (June 2020)
Global Agricultural Trade

- Agricultural trade has been resilient
- Global agricultural exports rose by ≈ 2% by end of May with variation across regions
- Reflects:
  - essential nature of food and income-inelasticity of demand
  - bulk marine shipments of commodities not subject to major disruptions
- Currently no reason why ongoing health crisis should turn into global food security crisis
Agricultural Exports by Region

% change

Source: WTO Secretariat (August 2020)
Agricultural Imports by Region

% change

Source: WTO Secretariat (August 2020)
U.S. Agricultural Trade

$ billion

Source: USDA/ERS September 4, 2020
U.S. - China Agricultural Trade

U.S. Agricultural Exports to China

Phase 1 Agreement:
U.S. Export Values vs. 2020 Target

Source: USDA/FAS, September 2020

Source: PIIE, September 2020
U.S. - China Agricultural Trade

U.S. Soyabean Exports to China

<table>
<thead>
<tr>
<th>Year</th>
<th>$ billion</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>12</td>
</tr>
<tr>
<td>2016</td>
<td>14</td>
</tr>
<tr>
<td>2017</td>
<td>12</td>
</tr>
<tr>
<td>2018</td>
<td>8</td>
</tr>
<tr>
<td>2019</td>
<td>7</td>
</tr>
<tr>
<td>Jan - Jul 2020</td>
<td>0.01</td>
</tr>
</tbody>
</table>

Source: USDA/FAS, September 2020

U.S. Corn Exports to China

<table>
<thead>
<tr>
<th>Year</th>
<th>$ billion</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>0.18</td>
</tr>
<tr>
<td>2016</td>
<td>0.16</td>
</tr>
<tr>
<td>2017</td>
<td>0.12</td>
</tr>
<tr>
<td>2018</td>
<td>0.06</td>
</tr>
<tr>
<td>2019</td>
<td>0.04</td>
</tr>
<tr>
<td>Jan - Jul 2020</td>
<td>0.02</td>
</tr>
</tbody>
</table>

Source: USDA/FAS, September 2020
Through July 2020, Chinese agricultural imports from US at $9.9 billion – 46% below 2020 target

Phase 1 Target:
2020: $36.6bn
2021: $43.5bn

2021 - China GDP Growth:
$33.1bn

2018 - Actual:
$16.2bn

2021 - Trend:
$19.9bn

Source: PIIE, September 2020
U.S. - China Phase 1 Trade Deal

- Phase 1 trade deal a commitment by China to “voluntary” agricultural import expansion (VIE)
- Equivalent to import subsidies of 12-23% (2020), and 42-59% (2021) (Feenstra and Hong, 2020)
- Significant distortion to international market, with trade diversion from multiple countries
- Will be challenging to meet import commitments via Chinese state trading
- WTO panel ruling against US’s 2018 tariffs has probably compounded difficulty of hitting targets